

[BSP CIRCULAR NO. 640, S. OF 2009, January 16, 2009]

AMENDMENT TO CIRCULAR NO. 341

Pursuant to Monetary Board Resolution No. 1723 dated 23 December 2008, Annex A (List of Activities Which May Be Considered Unsafe and Unsound Banking Practices) of Circular No. 341 dated 6 August 2002 is hereby amended as follows:

SECTION 1. The opening paragraph and Items c and g of Annex A of Circular No. 341 are hereby amended to read as follows:

"The activities enumerated herein are considered only as guidelines and are not irrebutably presumed to be unsafe or unsound. Conversely, not all practices which might under the circumstances be termed unsafe or unsound are mentioned here. The Monetary Board may NOW AND THEN consider any other acts/omissions as unsafe or unsound practices."

"c. Operating in a way that produces a deficit in net operating income WITHOUT ADEQUATE MEASURES TO ENSURE A SURPLUS IN NET OPERATING INCOME IN THE FUTURE."

"x x x

"g. Excessive reliance on large, high-COST or volatile deposits/ borrowings TO FUND AGGRESSIVE GROWTH THAT MAY BE UNSUSTAINABLE.

FOR THIS PURPOSE, A BANK IS CONSIDERED OFFERING HIGH-COST DEPOSITS/BORROWINGS IF THE EFFECTIVE INTEREST RATE PAID ON SAID DEPOSITS/ BORROWINGS AND/OR NON-CASH INCENTIVES IS 50% OVER THE PREVAILING COMPARABLE MARKET MEDIAN RATE FOR SIMILAR BANK CATEGORIES, MATURITIES AND CURRENCY DENOMINATION AND ACCOMPANIED BY OTHER CIRCUMSTANCE/S SUCH AS:

"1. UNDUE RELIANCE ON SOLICITATION AND ACCEPTANCE OF BROKERED DEPOSITS;

"2. BANK INCURS LARGE SUM OF DEPOSIT GENERATION EXPENSES IN THE FORM OF COMMISSIONS, REFERRAL AND SOLICITATION FEES AND RELATED EXPENSES AND/OR PAYMENT OF AD VANCE INTEREST ON DEPOSITS;